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ASSOCIATION OF LOUISIANA ELECTRIC COOPERATIVES, INC.

DECEMBER 31, 2010

REVIEWED FINANCIAL STATEMENTS

BATON ROUGE, LOUISIANA

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HTB Hannis T. Bourgeois, LLP
Certified Public Accountants

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

June 30, 2011

Independent Accountant's Review Report

Board of Directors
Association of Louisiana Electric
Cooperatives, Inc.
Baton Rouge, Louisiana

We have reviewed the accompanying Statement of Financial Position of the Association of Louisiana Electric Cooperatives, Inc. (a non-profit organization) as of December 31, 2010, and the related Statements of Activities and Cash Flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Hannis T. Bourgeois, LLP

ASSOCIATION OF LOUISIANA ELECTRIC COOPERATIVES, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2010

ASSETS

Current Assets:	
Cash	$ 148,395
Accounts Receivable - Members	9,302
Accounts Receivable - Advertisements	12,310
Other Receivables	25
Prepaid Expenses	912
Prepaid Insurance	8,201
Total Current Assets	179,145
Property and Equipment:	
Buildings	488,713
Equipment	87,331
Office Furniture and Fixtures	51,274
Transportation Equipment	221,865
	849,183
Less: Allowance for Depreciation	(529,726)
	319,457
Land	41,757
	361,214
Total Assets	$ 540,359

See independent accountant's review report and accompanying notes.

LIABILITIES AND NET ASSETS (DEFICIT)

Current Liabilities:		
Line of Credit - Cooperative Finance Corp.	$	56,000
Current Portion of Long-Term Debt		53,230
Accounts Payable		48,507
Accrued Expenses		7,721
Other Liabilities		11,312
Total Current Liabilities		176,770
Long-Term Liabilities:		
Long-Term Debt		217,646
Accrued Compensated Absences		135,706
Accrued Benefit Obligation		34,182
		387,534
Net Assets (Deficit):		
Unrestricted		(23,945)
Total Liabilities and Net Assets (Deficit)	$	540,359

ASSOCIATION OF LOUISIANA ELECTRIC COOPERATIVES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

Revenues:	
Operating:	
Assessments - Members	$ 897,945
Newspaper Sales - Members	705,359
Advertising Sales	104,968
Contribution - Louisiana Rural Electric Cooperative Insurance Pool	81,064
Contribution - Cooperative Finance Corporation	19,000
Interest and Dividends	105
Other Income	200,337
Total Revenues	2,008,778
Expenses:	
Hurricane Relief Distributions	1,903
Publication and Mailing Expense	418,295
Statewide and National Rural Electric Cooperative Association Meetings	32,583
Legislative Expense	50,802
Public Relations	26,185
General and Administrative	1,484,371
Total Expenses	2,014,139
Decrease in Net Assets	(5,361)
Net Assets (Deficit) - Beginning of Year	(18,584)
Net Assets (Deficit) - End of Year	$ (23,945)

See independent accountant's review report and accompanying notes.

ASSOCIATION OF LOUISIANA ELECTRIC COOPERATIVES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows from Operating Activities:	
Decrease in Net Assets	$ (5,361)
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	79,432
Loss on Disposition of Assets	7,955
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	32,264
(Increase) Decrease in Prepaid Insurance	10,329
(Increase) Decrease in Prepaid Expenses	7,992
Increase (Decrease) in Accounts Payable	(28,093)
Increase (Decrease) in Accrued Compensated Absences	8,163
Increase (Decrease) in Accrued Benefit Obligation	1,969
Increase (Decrease) in Accrued Payroll and Payroll Taxes	(15,699)
Increase (Decrease) in Other Liabilities	(2,382)
Increase (Decrease) in Deferred Revenue	(1,725)
Net Cash Provided by Operating Activities	94,844
Cash Flows from Investing Activities:	
Purchase of Property and Equipment	(18,173)
Proceeds from Sale of Equipment	9,800
Net Cash Used in Investing Activities	(8,373)
Cash Flows from Financing Activities:	
Net Proceeds from Line of Credit	9,000
Repayment of Long-Term Debt	(66,118)
Net Cash Used in Financing Activities	(57,118)
Net Increase in Cash and Cash Equivalents	29,353
Cash and Cash Equivalents - Beginning of Year	119,042
Cash and Cash Equivalents - End of Year	$ 148,395
Supplemental Disclosures of Cash Flow Information:	
Cash Payments for Interest	$ 19,005

See independent accountant's review report and accompanying notes.

Note 1 - Summary of Significant Accounting Policies -

Organization and Programs

The Association of Louisiana Electric Cooperatives, Inc. (the Association) is a statewide trade association whose major programs include legislative and governmental representation, publication of the Louisiana Country Newspaper, and safety training. Membership dues and newspaper sales are the major sources of revenue.

Accounting Method

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Revenues and expenses are recorded on the accrual basis. Revenues received for future dues, subscriptions, and conferences are deferred until the applicable year.

Basis of Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association does not have any temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of cash flows, the Association considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Uncollectible accounts receivable are charged directly against net assets when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Contributions

Contributions are generally recorded upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Net Assets

The Association classifies assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Concentration of Credit Risk

At various times during the year, cash on deposit with one banking institution may exceed the amounts insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash to minimize this potential risk.

Concentration of credit risk with respect to accounts receivable is limited due to the wide variety of members. As a result, the Association does not consider itself to have any significant concentration of credit risk.

Property and Equipment

Fixed assets are stated at cost. Depreciation is calculated using straight-line and declining balance methods over the useful lives of the assets as follows:

Buildings	40 years
Office Furniture and Fixtures	5 to 10 years
Equipment	5 years
Automobiles	5 years

A summary of fixed asset classification at December 31, 2010 is as follows:

	Cost	Accumulated Depreciation	Book Value
Land	$ 41,757	$ -	$ 41,757
Buildings	488,713	(328,265)	160,448
Equipment	87,331	(53,760)	33,571
Office Furniture and Fixtures	51,274	(39,748)	11,526
Transportation Equipment	221,865	(107,953)	113,912
	$ 890,940	$ (529,726)	$ 361,214

Income Taxes

The Association is a qualified not-for-profit organization and is exempt from income taxes under Internal Revenue Code 501(c) (6). With few exceptions, the Association is no longer subject to federal or state examinations by tax authorities for the years before 2007.

Compensated Absences

Employees of the Association earn vacation and sick pay in varying amounts according to years of service and subject to maximum limitations. The Association records the expense as incurred. Accrued compensated absences balances at December 31, 2010 amounted to $135,706.

Note 2 - Long-Term Debt -

Long-Term Debt at December 31, 2010 is detailed as follows:

ALEC Credit Union, due December 2011, interest of 6.00%, payable $522 monthly, secured by vehicle.	$ 6,068
CFC, due November 2017, interest of 6.35%, payable $1,384 quarterly, secured by property	31,080
CFC, due November 2017, interest of 6.35%, payable $1,729 quarterly, secured by property	38,850
GMAC, due February 2013, interest of 0.00%, payable $425 monthly, secured by vehicle.	10,624
GMAC, due December 2012, interest of 6.99%, payable $519 monthly, secured by vehicle.	11,592
CFC, due November 2017, interest of 4.95%, payable $863 quarterly, secured by property	20,056

(CONTINUED)

CFC, due November 2017, interest of 6.25%, payable $440 quarterly, secured by property	9,904
ALEC Credit Union, due November 2014, interest of 4.50%, payable $493 monthly, secured by vehicle.	20,822
GMAC, due October 2014, interest of 6.64%, payable $537 monthly, secured by vehicle.	21,766
GMAC, due May 2014, interest of 0.00%, payable $560 monthly, secured by vehicle.	22,960
CFC, due November 2022, variable interest, payable $2,195 quarterly, unsecured	77,154
	270,876
Less Current Maturities	(53,230)
	$ 217,646

Following are the contractual maturities of long-term debt:

2012	$ 46,148
2013	37,155
2014	32,528
2015	21,296
2015 and later	80,519
	$ 217,646

Note 3 - Line of Credit -

The Association has a $100,000 line of credit with the Cooperative Finance Corporation which is secured by accounts receivable and is due March 2011. The balance on the line of credit at December 31, 2010 was $56,000. The interest rate at December 31, 2010 was 4.25%.

Note 4 - Operating Leases -

The Association leases equipment under a non-cancelable lease. The monthly payment under this lease is $900 and expires September 2012.

Future minimum annual payments under the above lease is as follows:

2011	$ 10,798
2012	8,099
	$ 18,897

Note 5 - Retirement Plan -

The Association participates in the National Rural Electric Cooperative Association (NRECA) pension plan for all of its employees and incurs pension expense in an amount equal to its contributions to the plan. Pension expense for the year ended December 31, 2010 was $183,059, which is included in employee benefits in the Schedule of Expenses.

In this master multi-employer plan, which is available to all members of the NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employers. The plan has been approved by the Internal Revenue Service. The Association also participates in the NRECA savings plan in which the Association will match contributions made by eligible employees up to 5%. The Association's expense for this plan was $25,159 in 2010, which is included in employee benefits in the Schedule of Expenses.

Note 6 - Post Retirement Benefits -

The Association maintains a contributory defined benefit post retirement plan covering all employees who qualify as to age and length of service. Current policy is to expense the costs as they occur. Net expense, including service costs, interest costs and actuarial gains (losses) for the year ended December 31, 2010 was $1,969.

The actuarial present value of the expected post-retirement benefit obligation was determined by an actuary in a prior year and is the amount that results from applying actuarial assumptions to historical claims - cost data to estimate future incurred claims costs per participant and to adjust such estimates for the time value of money and the probability of payment between the valuation date and the expected date of payment. The amount accrued at December 31, 2010 was $34,182.

For measurement purposes the following assumptions were made:

A. Benefit Age 62 - Although an employee with 30 years service is eligible to retire, it is not mandatory.

B. The relative attractiveness of the benefit upon retirement is uncertain. To account for the probability of declination of the benefit, utilization of the benefit was determined, in consultation with management, to be contingent on participation in the current program. Thus four current employees are identified as non-participants.

C. The Association's Cost of Capital is approximately 5% per annum. Since the plan is unfunded, the interest portion of the plan cost is assumed to be at 5%.

D. The 1994 Group Annuity Mortality Table (separately for male and female lives), has been assumed to apply for both pre and post-retirement mortality.

E. The current population appears to be mature (average age 47) and has long service (average 15 years). This is consistent with relatively low rates of termination. For the probability of early termination, a light table designated ST-3 has been assumed.

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the post retirement benefit obligation. No change was made in the assumptions for the year ended December 31, 2010.

Note 8 - Subsequent Events -

The Association evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 30, 2011, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ASSOCIATION OF LOUISIANA ELECTRIC COOPERATIVES, INC.

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

Salaries	$ 539,342
Attorney Fees	75,735
Auto Expenses	28,236
Cost of Printing	198,750
Cost of Mailing Newspapers	219,545
Depreciation	79,432
Dues and Subscriptions	9,485
Employee Benefits	306,309
Loss on Disposition of Assets	7,955
General Insurance	33,734
General Legislation	50,802
General Public Relations	26,185
Hurricane Relief Distributions	1,903
Interest Expense	18,465
Meetings	67,515
Miscellaneous	3,871
Office Supplies	25,204
Other Taxes	5,530
Outside Accounting	31,250
Payroll Taxes	40,234
Photo Supplies	222
Postage - General Office	2,930
Professional Services	129,361
Repairs and Maintenance	26,316
Statewide and NRECA Meeting	32,583
Travel and Per Diem	13,488
Telephone and Answering Services	21,506
Utilities	18,251
	$ 2,014,139

See independent accountant's review report.

ASSOCIATION OF LOUISIANA ELECTRIC COOPERATIVES, INC.

SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

AS OF DECEMBER 31, 2010

We previously reported on the Organization's internal control in our letter dated May 14, 2010 issued in conjunction with our audit of financial statements for the year ended December 31, 2009. In 2010 the Organization was not required to be audited. The following summarizes the prior year comments with the corrective action taken.

Prior Year Findings:

2009-01 Fixed Assets

During the prior year audit, we noted the following deficiency and inaccuracy regarding fixed assets:

Vehicles purchased in 2008 were depreciated using tax depreciation rates for luxury vehicles. As a result, depreciation expense was understated by approximately $18,000.

We recommended that all assets be depreciated using straight line depreciation rates over the life of the assets. A periodic review of the fixed asset listing should be performed to ensure that depreciation expense is properly calculated and recorded.

Corrective Action:

All fixed assets purchased during the year are depreciated using straight line methods and depreciation expense was properly recorded.

2009-02 Prior Period Adjustment

During our prior year audit, it was noted that a note payable from a prior year had not been recorded on the general ledger of the Association. As a result, a prior period adjustment was made to record the note payable and the financial statements for the year ended December 31, 2008 were restated for this adjustment.

We recommended that procedures be put in place to ensure that all obligations are recorded at the time they are initiated. We also recommended establishing a notes payable register and maintaining it on a current basis. The register would include pertinent data about each open note payable, such as date, amount, payee, maturity dates, interest rate, collateral, and payment history with respect to principal and interest. In addition, copies of paid and unpaid notes could be included in the register. As a control factor, unpaid principal amounts per the register should be reconciled on a periodic basis to the general ledger and there should be a periodic review of notes payables schedules compared to the payments scheduled.

Corrective Action:

Procedures have been put in place to ensure that all obligations are recorded in the proper period.

In addition to the prior year significant deficiencies discussed above, the following additional comments were presented in the prior year for management's consideration:

2009-03 Cash

During our prior year audit of cash, we noted two checks with stop payment orders were still listed as outstanding checks. The original check and the re-issued check had both been recorded on the general ledger thereby overstating expenses. We recommended that checks and other un-cleared reconciling items that are over six months old be investigated and removed from the bank reconciliation if applicable. Research should be done periodically to eliminate large numbers of old items being carried from month to month.

Corrective Action:

Procedures have been put into place to ensure that all outstanding checks are properly classified and reconciled monthly.

2009-04 Accounts Receivable

During our audit of accounts receivable - advertising, we noted that no monthly or other regular schedule of accounts receivable is prepared, in which the accounts are analyzed and categorized by age. We recommended that a schedule be prepared periodically, to serve as a basis for the investigation of possible errors and the scrutinizing and investigation of accounts which have become old and doubtful of collection unless prompt collection efforts are taken.

Corrective Action:

Accounts receivable aging schedules are prepared and reviewed by management. In addition, procedures have been put into place to review and write off uncollectible receivables.
We wish to thank the Executive Director and his staff for their support and assistance during our review.